

# City of Detroit

## CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*

DATE: April 3, 2007

RE: \$30.6 Million Property Sale Proposals (**Departmental Report**)

As you know, before your Honorable Body is \$30.63 million in property sale proposals for your consideration. We provide several recommendations throughout the report.

### **Council Action Approach**

Based on the Council letter from Planning and Development Department (PDD) dated March 22, 2007 regarding these sale proposals, and the accompanying resolution, it appears the Administration wants Council to approve the 22 property sale proposals in one resolution. The PDD resolve says "Resolved, that in accordance with the foregoing communication, the real estate sales, as described and attached hereto as exhibits 1 thru 22, are hereby adopted".

However, each property sale proposal has its own resolution for action consideration. We feel each sale should be evaluated individually as separate transactions, as other property sales usually are.

Recommendation: Council should take action on each of the 22 proposals utilizing the individual resolutions attached thereto. You may want to hear from the Research and Analysis Division on this issue.

### **Budgetary Issues**

The PDD Council letter indicates, "To record these revenues each sale has to be closed and cash received by June 30, 2007. Without these sales the city will end the year in a deficit position and have to once again lay off employees and reduce needed services".

Recommendation: Council should hear from the Administration what is the timeline for Council to take action on these proposals in order for the closing to



take place soon enough this fiscal year in order to get the cash in hand by June 30, 2007.

As you know, this year's budget has a \$30 million budget for property sale revenue. We projected a \$15 million deficit for this revenue item. Of course, any cash proceeds from these sale proposals would help to erase a deficit in this revenue item.

Council should note that PDD's Council letter states "The Planning and Development Department has closed \$6,074,343.81 in land sales to date. There are an additional \$6,156,632.00 in sales that have been approved by your Honorable Body that PDD is working to close. The combined total for the proposed, pending, and closed sales will contribute \$42,860,225.00 to the city budget".

Attachment I is a report showing the amount of collections in land sales as of March 27, 2007 per the financial reporting system. As you can see, only \$2 million in collections has been recorded for the General Fund. Another \$1 million in Block Grant revenue has been collected, according to the financial reporting system.

Recommendation: Council needs proof that \$6,074,344 in land sales has been closed to date and that \$6,156,632 have been approved by your Honorable Body but are pending to close.

The documentation provided for each proposal does not indicate which funds were used originally for acquisition. Recommendation: the Administration should provide if other funds (i.e., Block Grant, Street Fund, etc.) were used to purchase any of the properties that are up for sale. If so, the General Fund would not be able to receive the sale proceeds.

Again, any cash proceeds from a sale approved by Council would be recorded in this year's budget. Council should be reminded that the Mayor has yet to present to your Honorable Body a deficit reduction plan to address the \$96 million budget deficit coming in from fiscal year 2005-06.

### **Property Sale Proposals**

In general, we asked the Administration to provide appraisals or pricing analyses where an appraisal is unavailable for the sale proposals that are \$220,500 and up.

Attachment II is a spreadsheet showing our review of the 22 sale proposals and comments we offer.



We recommend approval of the property sales under \$220,500. We do, however, have some policy questions on some of these sales that Council should receive responses to. For instance, Parcel 449, Penrose Village, the sales seems to involve scattered sites. What other sites do Penrose Village already own in the area to make this a viable project? Or, is this just an in-fill project? What is the timeline of completion of the development?

The remainder of this report focuses on the property sales that are \$220,500 and above.

For the GAR building (Exh 2), given the condition of the building, and the information previously given the Council regarding this sale, we recommend approval.

For Harbor Hill Marina (Exh 3), the per acre price is \$98,076. Attachment III is a pricing analysis from Jones Lang LaSalle. Last comparable sale shows \$79,268 per acre. We recommend approval of this sale. We do have some policy questions, however (Attachment II).

For Parcel 246A & 246B (Exh 4), we understand a copy of an appraisal is forthcoming. We recommend no action at this time until we get the appraisal or price analysis. We also do not understand the Detroit Housing Commission's involvement in this project.

For 7751 Melville (Exh 5), proposed sales price is lower than the appraisal. Dr. Nathan from Environmental Affairs indicates that this site was once a factory. The state recognizes that it has environmental issues and cleaned it up to industrial standards. The individual purchasing the parcel is looking to develop housing which will require additional clean-up. Dr. Nathan estimates that it might cost the developer and additional \$200,000 to \$300,000 to clean-up the site.

This appears reasonable. We recommend approval of this sale.

For Camp Brighton-Parcel 1 (Exh 6), we recommend approval based on information previously received by Council.

For Kerchival, W. Warren, and Walton (Exh 7), the Administration does not have a price analysis. They are simply removing the liability from the City (the property needs \$776,500 in repairs the purchaser is willing to bare), getting necessary services to the citizens and selling it for \$1.1 million. Although a price analysis is desirable, we feel this is reasonable and recommend approval.

For PLD Tank Farm (Exh 8), we recommend no action at this time since an appraisal or price analysis is unavailable.



For Revere Copper (Exh 9), sales price is above the appraised value. The appraisal is a year old, but the market overall is slow. We recommend approval. However, before you take action, we would like to know what funds the Port Authority is using to purchase this property. In addition, we feel Council should consider including a reversion clause if project is not completed. We also feel Council should consider language that stipulates that a portion of any profits made on the re-sale of the property be included since the Port Authority is another public entity which is working for the betterment of the City and Wayne County.

For Grayhaven Marina (Exh 11), sales price virtually matches appraised value. We recommend approval.

For Anaconda Brass Site (Exh 12), sales price is below appraised value. The appraisal is about 8 months old. Need price analysis to support lower sales price. The project would create an additional 188 hourly jobs and 28 salary jobs, which is very important. We recommend no action until you get a price analysis.

For Riverside North (Exh 13), the sales price per acre \$384,024, which seems extremely good. However, we desire that an appraisal or price analysis be provided. Therefore, we recommend Council take no action at this time. In addition, we feel Council should consider including a reversion clause if project is not completed. We also feel Council should consider language that stipulates that a portion of any profits made on the re-sale of the property be included since the Port Authority is another public entity which is working for the betterment of the City and Wayne County.

And for Rogell Golf Course (Exh 15), a price analysis is available (Attachment III). The sales price per acre for Rogell is \$20,683. We feel this is reasonable and recommend approval.

#### Attachment

cc: Council Divisions  
Auditor General's Office  
Ombudsperson's Office  
Douglass Diggs, Planning and Development Department Director  
Charles Beckham, General Services Department Director/COO  
Roger Short, Chief Financial Officer  
Pamela Scales, Budget Director  
Kandia Milton, Mayor's Office



*Attach memo*

Sale of Real City Property  
Object 464100  
From DRMS as of March 27, 2007

Account	Fund	Budget	Encumbrance	Collections	Remain to Collect
1000-360130-000000-464100-00014-000000-00000	General Fund	30,000,000.00	0.00	1,319,402.00	28,680,598.00
1000-360145-000000-464100-00883-000000-00000	General Fund	0.00	0.00	686,603.00	(686,603.00)
	<b>General Fund Total</b>	<b>30,000,000.00</b>	<b>0.00</b>	<b>2,006,005.00</b>	<b>27,993,995.00</b>
2001-361373-000000-464100-06040-000000-00000	Block Grant	1,150,527.10	0.00	998,815.00	151,712.10
	<b>Block Grant Total</b>	<b>1,150,527.10</b>	<b>0.00</b>	<b>998,815.00</b>	<b>151,712.10</b>
4502-360217-000000-464100-05556-000000-00000	Gen Public Imp-Tax, Rev & Grant	386,769.20	0.00	0.00	386,769.20
	<b>Gen Public Imp-Tax, Rev &amp; Grant Total</b>	<b>386,769.20</b>	<b>0.00</b>	<b>0.00</b>	<b>386,769.20</b>
	<b>GRAND TOTAL</b>	<b>31,537,296.30</b>	<b>0.00</b>	<b>3,004,820.00</b>	<b>28,532,476.30</b>



Proposed Property Sale Data

*Attachment II*

Exhibit	Description	Purchaser	Proposed Sale Price	Basis	(A) Appraisal (B) Bid (AD) Assoc. Devel (M) Market Study (P) Property Evaluation	Date of Appraisal/ Study	Source of Basis	Issues
1	Parcel 449	Penrose Village	52,500.00	(AD)				Scattered Sites. Seven or Eight Lots, \$6,500 to \$7,500 per lot, What other lots already owned? Time of completion of development.
2	GAR Building	Olympia Development	220,500.00	(P)	220,500.00	7/13/2005	?	Historical District Commission Potential Benefit to Historic District
3	Harbor Hill Marina	Jerome Morgan	6,500,000.00	(AD)				Time of completion of project, prior approvals?
4	Parcel 246A & 246B	Detroit River Tunnel Partnership	2,500,000.00	(AD)				Single Track Railway Tunnel Under Detroit River, \$500,000 withheld until construction begins., Detroit Housing Commission connection?
5	7751 Melville	B & C Land Development Co.	250,000.00	(A)	533,000.00	12/12,2005	Peggy Young & Assoc.	
6	Camp Brighton (Parcel 1)	Chaldean Catholic Church	3,500,000.00					Previously Submitted to Council - Not Approved
7	7908 Kercheval, 6570, 6588, 6608 W. Warren, 7 6477-6483 Walton	Detroit Community Health Connections Inc.	1,100,000.00					Continued Use as Health Center, \$776,471 of improvements commitment
8	PLD Tank Farm	Terminal Holdings	1,900,000.00					
9	Revere Copper	Port Authority	5,000,000.00	(A)	4,500,000.00	12/10/2005	Peggy Young & Assoc.	Insure City capture of re-sale profit, Bio diesel facility & agricultural product storage, Consider reversion clause if project not completed.
10	8070 & 8094 Elgin	Ephesus Missionary BC	1,050.00					Not adjacent property concern.
11	Grayhaven Marina	Dockside Marina	1,500,000.00	(A) (AD)	1,518,000.00	3/15/2007	Peggy Young & Assoc.	
12	Anaconda Brass Site	John James	550,000.00	(A)	860,000.00	5/5/2006	Peggy Young & Assoc.	Adjacent owner construction of 200,000 warehouse/cargo transfer facility
13	Riverside North	Port Authority	5,000,000.00					Footings for second bridge span.
14	10310 Harper	Venus Dickerson	10,000.00					
15	Rogell Golf Course	Bishop Ellis	2,500,000.00					Sale of Recreation Property, Letter and map area discrepancy. Do deed restrictions exist? Not eligible for City Wide Adjacent Vacant Lot Program, Why?
16	8028 Lane	Edward Mack	300.00					
17	5815 Livernois	Ronald Mohlman	3,100.00					
18	9582 Livernois	Herman A. Lewis	2,400.00					
19	3906, 6908, 3920 & 3924 Michigan	Roscoe Long	14,450.00					
20	6633 Van Dyke	Metro Building. Group LLC	7,050.00					Major discrepancies between letter and actual location
21	12942-46 W. Grand River	Southend Development. LLC	15,900.00					
22	4826 W. Warren	Waad Dakkal	2,000.00					
<b>Total Proposed Sale Price</b>			<b>30,629,250.00</b>					



# Attachment III

TOTAL P.001  
Apr 02 07 04:31p

p.2

EX  
REV  
224-2783

**Harbor Hill Marina:** The latest available comparable sale of land in the direct area of Harbor Hill Marina was in June of 2006. The property 99-319 Lenox Street is 16.40 acres and sold for a price of \$1,300,000 or \$79,268.29 per acre. The current proposal calls to rehabilitate the existing marina and to construct approximately two hundred and fifty-six (256) condominium units. The purchase price of \$6,500,000 represents \$98,076.20 per acre for the approximately 66.275 acre surplus site.

- **Rogell Golf Course:** True comparable sales are limited given the location of the subject Property and the existing development within close proximity to the site. There are three relevant raw land comps zoned for residential development in Western Wayne County. A 281.72 acre site in Belleville sold for \$11,750 per acre, 82.25 acres also in Belleville sold for \$25,531.91 per acre, and 62.30 acres sold in Canton for \$30,096.11 per acre. With a large portion of the Rogell Golf Course sitting in the Flood Plain and declining golf revenues a purchase price of \$2,500,000 should be considered extremely competitive and quite attractive. The proposed purchase price equates to \$20,683.38 per acre for the 120.870 site.

